



Arnold Schwarzenegger
Governor

August 20, 2010
22:430:txl:1104

Ms. Suzanne Clark, Project Manager
Shasta-Tehama-Trinity Joint Community
College District
PO Box 496006
Redding, CA 96049-6006

Dear Ms. Clark:

AMERICAN RECOVERY AND REINVESTMENT ACT (ARRA)
15-PERCENT PROJECT REVIEW
FINAL MONITORING REPORT
PROGRAM YEAR 2009-10

This is to inform you of the results of our review for Program Year (PY) 2009-10 of the Shasta-Tehama-Trinity Joint Community College District's (Shasta College) administration of its Workforce Investment Act (WIA) ARRA Green Jobs Project, Subgrant Number R975685. Mr. Tom Liu conducted this review from April 19, 2010 through April 22, 2010. For the program operations portion of the review, we focused primarily on the areas of program administration, participant eligibility, ARRA activities, monitoring, if applicable, and management information system/reporting. For the financial management portion of the review, we focused primarily on the areas of accounting systems, expenditures, allowable costs, cost allocation, reporting, cost pools, indirect costs, cash management, internal controls, program and interest income, single audit, if applicable, and property management. For the procurement portion of the review, we focused on procurement competition, cost and price analyses, and contract provisions.

We conducted our review under the authority of Sections 667.400(c) and 667.410(b)(1)(2)(3) of Title 20 of the Code of Federal Regulations (20 CFR). The purpose of this review was to determine the level of compliance by Shasta College with applicable federal and state laws, regulations, policies, and directives related to the WIA/ARRA grant regarding program operations, financial management, and procurement.

We collected the information for this report through interviews with Shasta College representatives; Northern Rural Training and Employment Consortium staff, and ARRA participants. In addition, this report includes the results of our review of sampled case files for participants enrolled in the ARRA Green Jobs Project; a review of Shasta

College's response to Sections I and II of the Program Onsite Monitoring Guide; applicable policies and procedures; and a review of documentation retained by Shasta College for a sample of expenditures and procurements.

We received your response to our draft report on July 26, 2010, and reviewed your comments and documentation before finalizing this report. Your responses adequately addressed findings 2 and 3 cited in the draft report; however, these issues will remain open until we verify the implementation of your stated corrective action plan during a future onsite review. Until then, these findings are assigned Corrective Action Tracking System (CATS) numbers 10093 and 10094. Because your responses did not adequately address findings 1 and 4 cited in the draft report, we consider these findings unresolved. We request that Shasta College provide the Compliance Review Office (CRO) with additional information to resolve the issues that led to the findings. Therefore, these findings remain open and have been assigned CATS numbers 10092 and 10095.

BACKGROUND

Shasta College was awarded \$650,606 to operate an ARRA Green Jobs Project and serve 90 ARRA participants from June 1, 2009 through March 31, 2011. For the month ending March 31, 2010, Shasta College reported that it spent \$150,164.73 and enrolled 27 participants. We reviewed case files for 21 of the 27 participants enrolled in the ARRA project as of April 21, 2010.

PROGRAM REVIEW RESULTS

While we concluded that, overall, Shasta College is meeting applicable WIA/ARRA requirements concerning grant program administration, we noted an instance of noncompliance in the area of incident reporting. The finding that we identified in this area, our recommendation, and Shasta College's proposed resolution of the finding is specified below.

FINDING 1

Requirement:

20 CFR Section 667.630 states, in part, that information and complaints involving criminal fraud, waste, abuse or other criminal activity must be reported immediately through the Department's Incident Reporting System to the Department of Labor's (DOL) Office of Inspector General (OIG) with a copy simultaneously provided to the Employment and Training Administration (ETA).

WIA Directive (WIAD) 02-3 states, in part, that each subrecipient shall establish appropriate internal program management procedures to prevent and detect fraud, abuse, and criminal activity. These procedures must include a reporting process to ensure that OIG and the Compliance Review Office (CRO) are notified immediately of any allegations of WIA-related fraud, abuse, or criminal activity. Internal management procedures must be in writing and include the designation of a person on the subrecipients' staff who will be responsible for such notifications.

Observation:

We observed that Shasta College does not have written policies and procedures related to preventing and detecting fraud, waste, abuse, or other criminal activity which includes a reporting process to ensure that OIG and CRO are notified immediately of any allegations of WIA-related fraud, abuse, or criminal activity as outlined in the above requirements.

Recommendation:

We recommended that Shasta College develop written policies and procedures related to preventing and detecting fraud, waste, abuse, or other criminal activity which includes a reporting process to ensure that OIG and CRO are notified immediately of any allegations of WIA-related fraud, abuse, or criminal activity as outlined in the above requirements.

Shasta College Response:

The Shasta College stated that policies and procedures related to preventing and detecting fraud, waste, abuse, or other criminal activity have been submitted to the Board of Trustees to become part of the board administration policy. However, neither a copy of these procedures or any other documentation was provided to detail the new policies and procedures.

State Conclusion:

Based on the Shasta College's response, we cannot resolve this issue at this time. We recommend that Shasta College provide CRO a copy of its written policies and procedures related to preventing and detecting fraud, waste, abuse, or other criminal activity. Until then, this issue remains open and has been assigned CATS number 10092.

FINANCIAL MANAGEMENT REVIEW RESULTS

While we concluded that, overall, Shasta College is meeting applicable WIA/ARRA requirements concerning financial management, we noted an instance of

noncompliance in the area of payroll payments. The finding that we identified in this area, our recommendation, and Shasta College's proposed resolution of the finding is specified below.

FINDING 2

Requirement:

Office of Management and Budget Circular A-21, Appendix A (J)(10)(b)(2)(b) states, in part, that the payroll method must recognize the principle of after-the-fact confirmation or determination so that costs distributed represent actual costs.

Observation:

Shasta College does not maintain a time-keeping system that accounts for the time spent on each program being charged to the grant. Specifically, there was no documentation to show the method used to arrive at charging 60 percent of the Assistant Project Director's salary, 20 percent of the Assistant Fiscal Project Director's salary, and 35 percent of the Administrative Secretary's salary to the project. Shasta College staff stated these percentages were pre-determined at the beginning of the grant based on their best guess as to the amount of time spent on this project. We observed that the Assistant Project Director and Assistant Fiscal Project Director do not complete timesheets to identify the amount of time spent working on different projects. The Administrative Secretary completes a timesheet, but does not separate the time charged to each program. In all cases, no reconciliation is performed to ensure that each program is charged for the actual payroll costs incurred.

Recommendation:

We recommended that Shasta College provide CRO with a CAP that identifies an appropriate time-keeping system that identifies the payroll costs that should be charged to the appropriate programs.

Shasta College Response:

The Shasta College provided a copy of a timesheet which shows a list of different programs and the hours spent per week working on each program. Shasta College stated that this new time-keeping system was put into place as of July 1, 2010.

State Conclusion:

The Shasta College's stated corrective action should be sufficient to resolve this issue. However, we cannot close this issue until we verify, during a future onsite visit, Shasta

College's successful implementation of its stated corrective action. Until then, this issue remains open and has been assigned CATS number 10093.

PROCUREMENT REVIEW RESULTS

While we concluded that, overall, Shasta College is meeting applicable WIA/ARRA requirements concerning procurement, we noted instances of noncompliance in the following areas: cost or price analysis and contract provisions. The findings that we identified in these areas, our recommendations, and Shasta College's proposed resolution of the findings are specified below.

FINDING 3

Requirement: 29 CFR Section 95.45 states, in part, that some form of cost or price analysis shall be made and documented in the procurement files in connection with every procurement action.

WIAD00-2 states, in part, that recipients must have written procedures that include requirements for a price or cost analysis.

Observation: We observed that Shasta College did not properly document that they performed a cost or price analysis for the purchase of t-shirts in the amount of \$1,429.65 provided to the participants for the ARRA Green Jobs Project. Shasta College staff stated that a price analysis was done using the internet, but no documentation was provided.

Additionally, we observed the internal Business Office Procedures Manual contains written procedures for some procurement transactions; however, the manual did not contain the specific written procurement procedure specified above.

Recommendation: We recommended that Shasta College forward to CRO a CAP indicating how it will ensure that future procurement transactions will include documentation to show that a cost or price analysis was performed prior to the procurement action. We also recommended Shasta College revise their Business Office Procedures Manual to include the requirement identified above.

**Shasta College
Response:**

The Shasta College stated that the procedure of including documentation to show that a cost or price analysis was performed prior to the procurement action is being added to their Business Office Procedures Manual for the 2010 – 2011 fiscal year.

State Conclusion:

The Shasta College's stated corrective action should be sufficient to resolve this issue. However, we cannot close this issue until we verify, during a future onsite visit, the Shasta College's successful implementation of its stated corrective action. Until then, this issue remains open and has been assigned CATS number 10094.

FINDING 4

Requirement:

20 CFR Section 667.200(d) states, in part, that all WIA grant recipients and subrecipients must comply with government-wide requirements for debarment and suspension, and the government-wide requirements for a drug-free workplace.

29 CFR Section 95.48(a) states, in part, that contracts in excess of the simplified acquisition threshold shall contain contractual provisions or conditions that allow for administrative, contractual, or legal remedies in instances in which a contractor violates or breaches the contract terms, and provide for such remedial actions as may be appropriate.

29 CFR Section 95.48(d) states, in part, that all negotiated contracts in excess of the small purchase threshold awarded by recipients shall include a provision to the effect that the recipient, DOL, the Comptroller General of the United States, or any of their duly authorized representatives, shall have access to any books, documents, papers and records of the contractor which are directly pertinent to a specific program for the purpose of making audits, examinations, excerpts and transcriptions.

29 CFR Section 95.48 Appendix A states, in part, that all contracts, awarded by a recipient including small purchases, shall contain the following required provisions as applicable:

- Compliance with Executive Order (E.O.) 11246, "Equal Employment Opportunity," as amended by E.O. 11375 and 41 CFR part 60 "Equal Employment Opportunity."

- o No contract shall be made to parties listed on the General Services Administration's List of parties Excluded from Federal Procurement or Nonprocurement Programs in accordance with E.O.'s 12549 and 12689, "Debarment and suspension."

Observation:

On the contract we reviewed for NCCC, we observed that the contract boilerplate used did not contain the provisions for administrative, contractual, or legal remedies in instances of contractual violation; auditing and monitoring rights of the State, DOL, or any of their authorized representatives; equal employment opportunity compliance; debarment and suspension requirements; and drug-free workplace compliance.

Recommendation:

We recommended that Shasta College update its contract boilerplate to include all the required contract provisions identified above.

Shasta College Response:

The Shasta College stated that changes to the Shasta College contract boilerplate are currently under review.

State Conclusion:

The Shasta College response is insufficient to resolve this issue at this time. We again recommend that Shasta College update its contract boilerplate to include all required contract provisions identified above. Until then, this issue remains open and has been assigned CATS number 10095.

We provide you up to 20 working days after receipt of this report to submit to the Compliance Review Division your response to this report. Because we faxed a copy of this report to your office on the date indicated above, we request your response no later than September 20, 2010. Please submit your response to the following address:

Compliance Monitoring Section
Compliance Review Office
722 Capitol Mall, MIC 22M
P.O. Box 826880
Sacramento, CA 94280-0001

In addition to mailing your response, you may also FAX it to the Compliance Monitoring Section at (916) 654-6096.

August 20, 2010

Because the methodology for our monitoring review included sample testing, this report is not a comprehensive assessment of all of the areas included in our review. As you know, it is Shasta College's responsibility to ensure that its systems, programs, and related activities comply with the WIA, related Federal regulations, and applicable State directives. Therefore, any deficiencies identified in subsequent reviews, such as an audit, would remain the Shasta College's responsibility.

Please extend our appreciation to your staff for their cooperation and assistance during our review. If you have any questions regarding this report or the review that was conducted, please contact Ms. Cynthia Parsell at (916) 654-1292.

Sincerely,

A handwritten signature in black ink, appearing to read "Jessie Mar", with a stylized, cursive script.

JESSIE MAR, Chief
Compliance Monitoring Section
Compliance Review Office

cc: Brad Banghart, Dean, Economic and Workforce Development
David Davis, MIC 50
Ann Luu, MIC 50